



# ENERGY ASSURANCE DAILY

Wednesday Evening, May 11, 2016

## Major Developments

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### Update: Oil Sands Companies Continue Efforts to Resume Production in Alberta May 11

Oil sands companies around Fort McMurray, Alberta continued efforts to resume production on Wednesday after an out-of-control wildfire forced producers to shut down a total of about 1.07 million b/d of production over the past week. The size of the fire on Wednesday morning was still roughly 229,000 hectares (566,000 acres) and moving southeast away from the Fort McMurray community. Top provincial and industry officials said production in much of the region should ramp up in a matter of days in many cases as facilities north of Fort McMurray had been shuttered largely because of heavy smoke rather than fire. The region can produce roughly 2.2 million b/d and has more than 20 oil production operations clustered within a 60-mile radius of the city, according to government data. The following companies have reported impacts as of Wednesday. The red text under each company below indicates an update to the wildfire impacts reported in Tuesday's EAD publication.

- **Suncor Energy** officials said some oil sands facilities will restart in 24 to 48 hours, but others will take at least a week. A local union president said employees will start flying back to oil sands sites on Thursday. Suncor closed its 350,000 b/d main mining site, and its MacKay River and Firebag thermal oil sands operations on May 4. It cited the precautionary shut-in of takeaway pipelines and limited availability of diluent. Prior to the fire, Suncor said it was operating at reduced rates of approximately 300,000 b/d because of a maintenance turnaround.
- **Synchrude** said its 315,000 b/d Aurora bitumen mine was shut and other operations were functioning at minimal levels. A power generator was restarted at its Aurora bitumen mine and it had transitioned from emergency response to planning operations restart, however; there was no projected timeline for restarting production. Synchrude is an oil sands project owned by a consortium of companies, including majority owner Suncor. Synchrude will cut forecast May crude production volumes by some 35 percent, three trading sources familiar with the matter said on Monday.
- **Royal Dutch Shell Plc's** president said oil sands operations were nowhere near full capacity and that it would take some time to increase production from its sites. The company has been able to keep its 100,000 b/d Scotford refinery running through the wildfire outage by using alternative feedstocks. The company on Monday restarted production at a reduced rate at its 255,000 b/d Albion oil sands mining operation, which include the Muskeg River and Jackpine oil sands mines. The company said it will fly staff in and out to help resume operations over the coming days and weeks.
- **Nexen Energy** on Monday reported the yard of its Long Lake oil sand facility suffered minor damage on Sunday from the wildfire. Long Lake can produce around 50,000 b/d of synthetic crude but was operating at reduced rates since late January due to an explosion at the plant.
- **ConocoPhillips** said on May 5 it had shut its 30,000 b/d Surmont operations south of Fort McMurray, and evacuated the site.
- **Husky Energy** on Sunday shut production at its 30,000 b/d Sunrise Energy Project. Husky had previously reduced operations to 10,000 b/d.
- **Connacher Oil and Gas Ltd** said on May 5 it was restoring production at its Great Divide operation, which is 50 miles south of the city, back up to 8,000 b/d, after cutting it to 4,000 b/d on Wednesday. The operation produced 14,000 b/d in the fourth quarter.
- **Canadian Natural Resources Ltd** cut output by an unspecified amount at its Horizon project.
- **Statoil ASA** on Monday said it was suspending all production at its 20,000 b/d Leismer facility in northern Alberta. Statoil said production would remain suspended until midstream terminals needed to transport crude oil via pipeline reopen.
- **Athabasca Oil Corp** said on May 5 it shut its Hangingstone project and evacuated all personnel. At the time, the company said it was in the process of shutting down the well sites and the central facility. The project was expected to produce 12,000 b/d by the fourth quarter 2016.

- **Imperial Oil Ltd** on Monday completed a controlled shutdown of its Kearl oil sands mining project, adding it would remain shut until the company had fully grasped the logistics of getting people and materials to and from the site. Non-essential personnel were demobilized from the Kearl site. Its physical plant and other assets were unaffected by fires.
- **Cenovus** said it would start bringing non-essential staff back to work at its Christina Lake oil sands operation on Thursday. On May 6 that essential staff were maintaining full production at its Christina Lake oil sands site. The company had previously sent home non-essential staff.
- **MEG Energy and Japan Canada Oil Sands Ltd.** said their operations near Fort McMurray were not affected.
- **Enbridge Inc.** said it was inspecting sites for a restart of its pipeline. The company on Monday said its Cheecham facility was closed and as a result, all Enbridge pipelines in and out of Cheecham Terminal continue to be isolated and shut down. Limited volumes were flowing on Line 19, initiating out of the Kirby Lake facility. Athabasca Terminal continues to operate with a minimum staff complement. Inspections of the Athabasca and Cheecham terminal facilities indicate they were largely unaffected by the fire. Some above-ground facilities on the rights-of-way incurred limited damage. Enbridge was finalizing plans to repair and restart its system and working to assess available utility power supply needed to safely return to service.
- **Keyera Corp** said its South Cheecham rail and truck terminal, 47 miles south of Fort McMurray, was evacuated and shut on May 5. South Cheecham is a joint venture between Keyera and Enbridge.
- **Inter Pipeline** said its 346,000 b/d Corridor pipeline system, which serves Shell's oil sands facilities, was ready to be reopened once Shell resumes operations. Inter Pipelines' 540,000 b/d Polaris diluent pipeline was reopened after a one-day shutdown.
- **Pembina's** Algar to Cheecham Lateral remains fully operational but was not delivering due to the shutdown of downstream facilities. All other Pembina facilities in the Fort McMurray area remain fully operational.
- **TransCanada Corp** said it did not expect the wildfire to affect deliveries of natural gas. The nearest pipeline is about 12 miles west of the current wildfire.

<http://www.reuters.com/article/us-canada-wildfire-fortmac-idUSKCN0Y21QH>

Reuters, 13:10 May 11, 2016

Reuters, 20:30 May 10, 2016

Reuters, 17:44 May 10, 2016

Reuters, 17:29 May 10, 2016

## Update: Alberta Oil Sands Cogeneration Capacity Increases to 490 MW as Units Ramp Up Output May 11 – AESO

The amount of power produced by cogeneration plants around Fort McMurray, Alberta, edged higher early on Wednesday as a couple of units increased their output. ATCO Ltd's 202 MW Muskeg River plant increased output to 172 MW by early Wednesday from 149 MW early Tuesday, according to data from the Alberta Electric System Operator (AESO). In addition, TransAlta Corp's 376 MW Poplar Creek unit ramped up to 161 MW Wednesday from 154 MW early Tuesday. Total cogeneration capacity in the Fort McMurray area increased to about 490 MW Wednesday morning from about 460 MW Tuesday morning. The current available power generation capacity is just 22 percent of the total 2,215 MW of cogeneration capacity in the Fort McMurray area. Before the fire reached Fort McMurray, the cogeneration units in the area were producing about 1,300 MW of power, according to local media reports.

Reuters, 7:56 May 11, 2016

## Electricity

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### Strong Storms Knock Out Power to Over 72,000 Oncor Customers in Texas May 10–11

Strong storms producing lightning, hail, and strong gusty wind knocked out power to at least 72,051 Oncor customers in Texas overnight on Tuesday with impacts lingering into Wednesday. There were numerous reports of downed trees and powerlines due to the high winds. As of 3:30 p.m. EDT on Wednesday, 12,479 customers remained without power.

<http://stormcenter.oncor.com/external/default.html>

<http://www.wfaa.com/weather/thousands-without-power-after-north-texas-storms/185336085>

### **Power Restored to Over 38,000 Seattle City Light Customers in Washington after Raccoon ‘De-Energizes’ Substation May 11**

Seattle City Light on Wednesday said power was fully restored to 38,778 customers after a raccoon wandered into a substation at 8th Avenue NW and Leary Way in Seattle and de-energized the system. The incident caused a string of feeder lines to fail, resulting in the outage that lasted nearly two hours. Crews restored power to all affected customers by 5:00 a.m. PDT on Wednesday.

<http://www.seattle.gov/light/sysstat/>

<http://www.king5.com/news/local/seattle/raccoon-de-energized-power-to-38000-in-seattle/185341641>

<http://komonews.com/news/local/raccoon-triggers-overnight-power-outage-for-38000-seattle-customers>

### **Otay Mesa Energy Center’s 604 MW Gas-fired Unit in California Reduced by May 10**

The unit entered an unplanned curtailment of 585 MW.

<http://content.caiso.com/unitstatus/data/unitstatus201605101515.html>

### **Martinez Cogen Limited Partnership’s 115 MW Gas-fired Unit in California Shut by May 10**

The unit entered an unplanned outage.

<http://content.caiso.com/unitstatus/data/unitstatus201605101515.html>

## ***Petroleum***

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### **Marathon Reports Operations Normal after SRU Upset at Its 451,000 b/d Galveston Bay, Texas Refinery May 10**

Marathon Petroleum Corp reported normal operations at its Galveston Bay, Texas, refinery after the sulfur recovery unit (SRU) experienced an upset, according to a filing with the Texas Commission on Environmental Quality. Reuters, 17:32 May 10, 2016

### **North Atlantic Refining’s 115,000 b/d Come-by-Chance, Newfoundland Refinery Leaks Oily Residue into Placentia Bay May 10 – Local Media**

An unknown amount of oily residue spilled out of North Atlantic Refining’s Come-by-Chance, Newfoundland refinery into Placentia Bay on Tuesday, according to local media. North Atlantic said a valve malfunctioned in the facility’s water treatment area, and released water and oil-infused clay into the bay. Refinery personnel have stopped the release and are working to implement the valve repair as well as cleaning up the oily residue in the affected area. Reuters, 18:46 May 10, 2016

<http://www.cbc.ca/news/canada/newfoundland-labrador/oily-residue-spills-out-of-north-atlantic-refinery-into-placentia-bay-1.3576203>

### **Zydeco Pipeline, LOCAP Sign Agreement to Provide Up to 140,000 b/d Additional Capacity to St. James, Louisiana**

Zydeco Pipeline Company LLC and LOCAP LLC on Tuesday signed a memorandum of understanding to provide additional shipper capacity through Zydeco’s 24-inch pipeline into LOCAP’s main oil pipeline in the St. James area. This proposed agreement with LOCAP will provide Zydeco’s shippers with much desired additional capacity directly into the St. James market at a cost of transportation identical to Zydeco’s existing Houma to St. James pipeline tariff. An additional 100,000 b/d to 140,000 b/d of capacity to St. James is expected to be made available to Zydeco’s shippers beginning in the third quarter of 2016. Zydeco’s 18-inch pipeline from Houma to St. James has been prorated since the reversal of the Houston-to-Houma (Ho Ho) System in late 2013. A joint tariff with LOCAP will be filed by Zydeco for movements of Poseidon crude oil from Houma to St. James. Moving Poseidon via LOCAP will create additional capacity for Zydeco’s shippers on the Houma to St. James 18-inch pipeline segment.

<http://www.shellmidstreampartners.com/releasedetail.cfm?ReleaseID=970290>

<http://www.shellmidstreampartners.com/fsZydeco.cfm>

## **U.S. Crude Stockpiles Fall for First Time in Six Weeks – EIA**

U.S. crude stockpiles fell last week for the first time since March as imports slipped after a wildfire curtailed production in Canada, the top source of U.S. oil imports, data from the Energy Information Administration (EIA) showed on Wednesday. Crude inventories fell 3.4 million barrels during the week ending May 6, compared with analysts' expectations for an increase of 714,000 barrels, EIA said. Crude inventories fell in all regions except for the Cushing, Oklahoma delivery hub for crude futures, which rose 1.5 million barrels to a new record at 67.8 million barrels, the EIA said.

Reuters, 11:20 May 11, 2016

## **Natural Gas**

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### **Update: Spectra, TETCO Lift Operational Flow Order May 10 after One of Four Natural Gas Pipelines Restarts Following April 29 Explosion in Pennsylvania**

Spectra Energy and Texas Eastern Transmission (TETCO) on Tuesday lifted an operational flow order (OFO) for the Market Zone 3 portion of its natural gas pipeline transmission system, which serves delivery points across Pennsylvania and into New Jersey. The OFO was issued on April 29 after an explosion in Westmoreland County, Pennsylvania resulted in the temporary isolation of all four pipelines and the shutdown of the Delmont Compressor Station upstream from the damaged pipeline. The U.S. Department of Transportation (DOT) on Tuesday authorized the restart of one of the pipelines that was unaffected by the blast, which enabled the TETCO to partially resume natural gas flows. The partial restart of the restored about 1,162 MMcf/d of available capacity through the Delmont Compressor Station, which had been shut since the incident. Nominated volumes through the Delmont Compressor station for Gas Day May 11 were approximately 1,011 MMcf/d. Both companies continue to work in coordination with DOT to confirm the integrity and restart the other two unaffected pipelines.

<https://infopost.spectraenergy.com/infopost/default.asp?pipe=TE>

<http://www.spectraenergy.com/announcements/>

## **Other News**

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Nothing to report.

## **International News**

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### **Shell Nigeria Declares Force Majeure on Bonny Light Exports after Explosion on NCTL Pipeline May 11 – Community Leader**

Royal Dutch Shell's Nigerian unit on Tuesday declared force majeure on Bonny Light exports after an explosion shut down AITEO Eastern E & P Company's Nembe Creek Trunk line (NCTL) in Nigeria's Delta, a community leader said. The leader added that the cause of the explosion was unknown. Shell said earlier a leak had shut down the exports, without giving any specific details.

Reuters, 8:40 May 11, 2016

Reuters, 7:30 May 11, 2016

### **Venezuela Crude Backlog at Jose Port to Ease Soon, Loading Arms Being Installed – Union Leader**

A backlog at Venezuela's Jose port will ease up once state oil company PDVSA finishes installing new loading arms at the terminal towards the end of May, a union leader said on Tuesday. Technical problems with the loading arms have since March sparked delays in filling and dispatching cargoes and created queues of tankers. PDVSA said earlier this month that it was installing three new loading arms to speed up operations at Jose in eastern Venezuela, which loads some 70 percent of Venezuela's crude exports.

Reuters, 19:34 May 10, 2016

## Saudi Aramco Expects Marine Complex to Be Fully Operational By 2021

Saudi Aramco expects a huge ship repair and shipbuilding complex, which is currently under development at the Port of Ras al-Khair on the eastern coast, to be fully operational by 2021, the chief executive said on Tuesday. The first phase of the shipbuilding complex will be ready by 2018, and it will eventually manufacture oil rigs and tankers. The company said the complex would allow Saudi Arabia to reduce its imports by \$12 billion, while increasing the country's gross domestic product by \$17 billion.

[http://www.downstreamtoday.com/news/article.aspx?a\\_id=52101](http://www.downstreamtoday.com/news/article.aspx?a_id=52101)

## Energy Prices

U.S. Oil and Gas Prices			
May 11, 2016			
	Today	Week Ago	Year Ago
<b>CRUDE OIL</b> <b>West Texas Intermediate U.S.</b> \$/Barrel	46.16	43.73	58.97
<b>NATURAL GAS</b> <b>Henry Hub</b> \$/Million Btu	2.04	1.92	2.77

Source: Reuters

## Links

***This Week in Petroleum*** from the U.S. Energy Information Administration (EIA)

<http://www.eia.gov/oog/info/twip/twip.asp>

Updated every Wednesday.

***Weekly Petroleum Status Report*** from EIA

[http://www.eia.gov/oil\\_gas/petroleum/data\\_publications/weekly\\_petroleum\\_status\\_report/wpsr.html](http://www.eia.gov/oil_gas/petroleum/data_publications/weekly_petroleum_status_report/wpsr.html)

Updated after 10:30 AM & 1:00 PM ET every Wednesday.

***Natural Gas Weekly Update*** from EIA

<http://www.eia.gov/oog/info/ngw/ngupdate.asp>

Updated after 2:00 PM ET every Thursday.

## ENERGY ASSURANCE DAILY

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<http://www.oe.netl.doe.gov/ead.aspx>

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